

Message Text

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PAGE 01 SEOUL 07686 300911Z
ACTION OES-09

INFO OCT-01 EA-10 ISO-00 IO-13 NRC-05 SOE-02 AID-05
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 H-01 INR-10
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /131 W
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TO SECSTATE WASHDC PRIORITY 3176
DOE WASHDC PRIORITY
DOE GERMANTOWN PRIORITY

C O N F I D E N T I A L SEOUL 7686

DEPT FOR OES/NET R. LIIMATAINEN

DEPT PASS NRC FOR J. LAFLEUR

DOE FOR R. WILLIT, G. HELFRICH, D. SAIRE, J. SCHWENNESEN

E.O. 11652: GDS
TAGS: TECH ENRG PARM KS
SUBJ: VISIT OF DOE ENRICHMENT TEAM AND AGREEMENT FOR COOPERATION
CONSIDERATIONS DURING SEPTEMBER US-ROK ENERGY MEETING

REF: A. SEOUL 3349, B. SEOUL 3025, C. SEOUL 7649

1. SUMMARY: KOREA ELECTRIC COMPANY (KECO) VICE PRESIDENT SUNG REQUESTED USG AGREE TO INTERIM INCREASE OF ENRICHMENT SERVICES CEILING IN US-KOREA AGREEMENT FOR COOPERATION ON THE PEACEFUL USES OF ATOMIC ENERGY TO ACCOMMODATE KECO UNITS 7, 8, 9 AND 10. OTHERWISE, KECO WOULD HAVE DIFFICULTIES RESISTING PRESSURE FROM GOVERNMENT CIRCLES TO PURCHASE THESE UNITS FROM EUROPEAN CONTRACTORS WHOSE BIDS WILL INCLUDE FULL FRONT END FUEL CYCLE SERVICES IN ADDITION TO POWER PLANT. END SUMMARY.

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PAGE 02 SEOUL 07686 300911Z

2. DOE ENRICHMENT TEAM (HELFRICH, SCHWENNESEN AND SAIRE) MET WITH, AMONG OTHERS, SUNG NACK-CHUNG, EXECUTIVE VP OF KECO, TO DISCUSS U.S. ENRICHMENT SITUATION AND CONTRACTING POLICY. SUNG RAISED MATTER OF INCREASING 5000 MWE ENRICHMENT SERVICES CEILING (REFTELS A AND B), NOTED TIMELINESS OF VISIT, AND STATED THAT BID OPENING FOR UNITS 7 AND 8 HAD BEEN DELAYED (AT REQUEST OF EUROPEAN BIDDER) TO

SEPTEMBER 18. THIS WAS FORTUNATE IN THAT IT PROVIDED SOME TIME TO RESOLVE PROBLEM CREATED BY 5000 MWE CEILING FOR ENRICHMENT SERVICES IN CURRENT US-KOREAN AGREEMENT FOR COOPERATION. OF THIS AMOUNT, ABOUT 3145 MWE IS ALREADY OBLIGATED AND REMAINDER IS INSUFFICIENT TO FULLY COVER UNITS 7 AND 8 WHICH ARE EXPECTED TO BE ABOUT 990 MWE EACH. IN ADDITION, BID INVITATIONS FOR UNITS 9 AND 10 ARE EXPECTED TO BE ISSUED EARLY NEXT YEAR. IN BOTH CASES, BIDS FROM EUROPEAN BIDDERS ARE EXPECTED TO INCLUDE FULL FRONT END FUEL CYCLE SERVICES. IN ABSENCE OF INCREASE IN CEILING TO FULLY COVER THESE UNITS. SUNG STATED THAT HE WOULD BE UNDER STRONG PRESSURE TO SELECT EUROPEAN RATHER THAN U.S. BIDDER. HE URGED THAT CEILING IN BILATERAL AGREEMENT BE INCREASED IMMEDIATELY, AND THAT RENEGOTIATION OF AGREEMENT BE TREATED SEPARATELY.

3. DOE TEAM ADVISED SUNG THAT INCREASE IN CEILING WAS A MODIFICATION OF AGREEMENT. AS SUCH IT WOULD HAVE TO BE SUBMITTED TO CONGRESS AND WOULD HAVE TO MEET ALL OF THE REQUIREMENTS FOR NEW AGREEMENTS UNDER THE NNPA OF 1978. THEREFORE, THERE WAS NO WAY IN WHICH THE CEILING COULD BE INCREASED WITHOUT RENEGOTIATING THE AGREEMENT. IN VIEW OF KOREA'S NPT STATUS AND OTHER COMMITMENTS, THIS SHOULD PRESENT NO INSURMOUNTABLE PROBLEM AND IT SHOULD BE POSSIBLE TO BRING A NEW AGREEMENT INTO EFFECT IN EARLY 1979. THEY FURTHER NOTED THAT THIS TIMING
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PAGE 03 SEOUL 07686 300911Z

SHOULD NOT BE A PRACTICAL PROBLEM FOR KECO SINCE THE CURRENT CEILING WOULD PERMIT ASSIGNMENT OR SIGNING OF CONTRACTS FOR UNITS 7 AND 8 OF WHICH APPROXIMATELY 93 PERCENT WOULD BE FIRM WITH REMAINDER CONDITIONED ON NEW AGREEMENT COMING INTO EFFECT. SUNG RECOGNIZED THIS BUT STILL INSISTED THAT HE WOULD HAVE PROBLEMS IN JUSTIFYING THIS APPROACH AGAINST OTHERS IN GOVERNMENT WHO WERE INTERESTED IN GOING EUROPEAN FOR POLITICAL REASONS AND WOULD USE THEIR UNEQUIVOCAL FUEL CYCLE OFFER TO JUSTIFY THEIR POSITION.

4. SUNG STATED THAT HE (AND PRESUMABLY KECO) EARNESTLY DESIRED TO BUY NUCLEAR PLANTS FROM U.S. SUPPLIERS RATHER THAN EUROPEANS BOTH AS A RESULT OF EXISTING RELATIONSHIPS IN NUCLEAR FIELD AND EXTREME LANGUAGE DIFFICULTIES THEY HAVE ALREADY ENCOUNTERED WITH EUROPEAN SUPPLIERS IN NON-NUCLEAR ENERGY FIELD. IN FINAL MEETING HE PLEADED WITH TEAM TO COOPERATE WITH HIM TO ENABLE PROCUREMENT FROM U.S. RATHER THAN EUROPEAN FIRMS.

5. KINDLY NOTE THAT ROKG AGREES WITH EMBASSY PROPOSED CHANGES IN AGENDA (REFTEL C) OF US-ROK JOINT STANDING

COMMITTEE ON NUCLEAR AND OTHER ENERGY TECHNOLOGY MEETING
WHICH TRANSFERS DISCUSSION OF CEILING INCREASE FROM
1110-1200 HOURS SEPTEMBER 6 TO 1110-1200 HOURS
SEPTEMBER 7 WHEN MODEL OF AGREEMENT FOR COOPERATION
CONCERNING PEACEFUL USES OF NUCLEAR ENERGY IS SCHEDULED.

6. EMBASSY GREATLY APPRECIATES EFFECTIVENESS OF TEAM
PRESENTATIONS IN SUPPORT OF U.S. ROLE AS FOREMOST
RELIABLE AND ECONOMIC SUPPLIER OF URANIUM ENRICHMENT
SERVICES.
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